

GENTRY, TIPTON, KIZER & LITTLE, P.C.

ATTORNEYS AT LAW

SUITE 2610, PLAZA TOWER

KNOXVILLE, TENNESSEE 37929

MACK A. GENTRY

JAMES S. TIPTON, JR.

W. MORRIS KIZER

LAWRENCE E. LITTLE

TIMOTHY M. MCLEMORE

MARK JENDREK\*

MAURICE K. GUINN

JAMES D. HOLLEY, JR.

(615) 525-5300

TELECOPIER (615) 523-7315

REPLY TO:

POST OFFICE BOX 1275

KNOXVILLE, TENNESSEE 37901

November 30, 1992

18018 2-338A003

RECORDATION NO. FILED 1425

\*ALSO ADMITTED IN MARYLAND

Interstate Commerce Commission  
Room 2303  
12th and Constitution Avenue, N.W.  
Washington, D.C. 20423  
Attention: Ms. Mildred Lee

DEC 3 1992-9 45 AM  
INTERSTATE COMMERCE COMMISSION

Re: Mortgage between Peoria & Eastern Railway Co.  
and A & F, Inc.

Dear Ms. Lee:

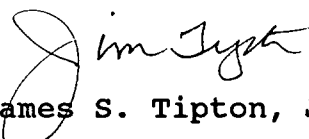
I am enclosing the original and one copy of a Mortgage, Security Agreement and Assignment of Rents and Leases for the above-referenced companies. I am also enclosing our firm's check in the amount of \$16.00 for filing fees.

After filing the original Mortgage document, please return a file-stamped copy in the metered envelope enclosed.

If you have any questions before filing or need further information, please let us know.

We appreciate your cooperation.

Very truly yours,

  
James S. Tipton, Jr.

JST/acy:225,1:L1631R

cc: Mr. Phillip O. Lawson  
Lawler-Wood, Inc.  
1600 Riverview Tower  
900 S. Gay Street  
Knoxville, Tennessee 37902

Daniel A. LaKemper, Esq.  
General Counsel  
Pioneer Railcorp  
1831 N. Santa Fe Avenue  
Chillicothe, Illinois 61523

Interstate Commerce Commission  
Washington, D.C. 20423

12/3/92

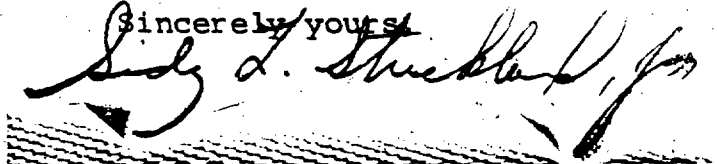
OFFICE OF THE SECRETARY

James S. Tipton  
Gentry Tipton Kizer & Little  
P.O.Box 1275  
Suite 2610 Plaza Tower  
Knoxville, Tennessee 37929

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 12/3/92 at 9:45am , and assigned re-  
recording number(s). 18018

Sincerely yours,



Secretary

SIDNEY L. STRICKLAND, JR.

Enclosure(s)

SE-30  
(7/79)

GENTRY, TIPTON, KIZER & LITTLE, P.C.

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(615) 525-5300

TELECOPIER (615) 523-7315

REPLY TO:

POST OFFICE BOX 1275

KNOXVILLE, TENNESSEE 37901

December 3, 1992

\*ALSO ADMITTED IN MARYLAND

Interstate Commerce Commission  
Room 2303  
12th and Constitution Avenue, N.W.  
Washington, D.C. 20423  
Attention: Ms. Mildred Lee

Re: Mortgage between Peoria & Eastern Railway Co.  
and A & F, Inc.

Dear Ms. Lee:

This will confirm your telephone conversations of today with me and my secretary, Celeste Young, in regard to the November 30, 1992 letter I wrote you, asking you to file the Mortgage, Security Agreement and Assignment of Rents and Leases for the above-referenced companies.

First, I apologize for any confusion or problems we have caused you. We have never filed documents with your office before, and were relying upon the information given to us by attorneys for Peoria & Eastern Railway Co.

There seems to have been some confusion as to whether we had sent you an "original" of the mortgage. My understanding, confirmed by Celeste's understanding, is that we did send you an actual, signed original of the Mortgage, with actual, authentic, original signatures on page 12, which page also bears the notation "Second Duplicate Original." We also sent you a separate xerox copy of the original Mortgage.

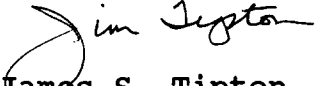
The president and secretary of Peoria & Eastern Railway Co. actually signed six, identical originals, for the express purpose of having enough originals to file in the various offices where the Mortgage needed to be filed (in five Alabama counties, in addition to your office).

I believe you will be able to confirm that the signatures are original signatures by comparing page 12 of the "Second Duplicate Original" with page 12 of the xerox copy. I assume you would also have access to an opinion of legal counsel for your own office, which I believe would also confirm that the document is indeed an original.

I just wanted to explain and apologize for the confusion, although I understand from your conversation with Celeste that all this may now be irrelevant, because you have given us instructions which would allow you to file the Mortgage. You instructed Celeste to send you a page which you can attach to what we have sent you, telling her to include a statement that the document to be recorded is an original or a true copy of the original. You will find two notarized statements, signed by me, to that effect.

We hope and trust that this will allow you to record the Mortgage, and return it (or a copy showing the verification of recording) in the metered envelope we are enclosing. We appreciate your assistance very much. If you still have any questions or reservations, please phone me or Celeste.

Very truly yours,

  
James S. Tipton, Jr.

JST/acy:225,1:L1631R

ACKNOWLEDGMENT

STATE OF TENNESSEE  
COUNTY OF KNOX

Personally appeared before me, the undersigned, James S. Tipton, Jr., who being over the age of eighteen and first duly sworn, did state and affirm as follows:

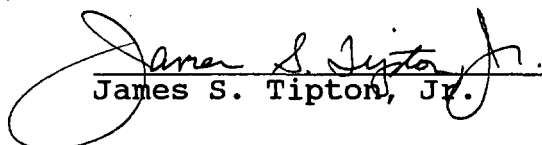
1. I am a practicing attorney with Gentry, Tipton, Kizer & Little, P.C., P.O. Box 1275, Knoxville, Tennessee 37901, licensed to practice law, and a member of the Tennessee Bar.

2. I prepared, or assisted in preparing, the foregoing document entitled "Mortgage, Security Agreement and Assignment of Rents and Leases," bearing the date of November 22, 1992, entered into by and between Peoria & Eastern Railway Co., and A&F, Inc., which was signed on behalf of Peoria & Eastern Railway Co., the mortgagor, by Guy L. Brenkman, President, and B. Allen Brown, II, Secretary, on November 22, 1992.

3. Mr. Brenkman and Mr. Brown, on behalf of Peoria & Eastern Railway Co., signed six identical counterpart originals of the Mortgage, Security Agreement and Assignment of Rents and Leases, and the document to which this Acknowledgment is attached bears their true signatures on page 12, which also bears the notation "Second Duplicate Original," which document is, indeed, one of the six original counterparts of the Mortgage signed by Peoria & Eastern Railway Co., and/or a true copy thereof.

4. This Acknowledgment has been requested by the Interstate Commerce Commission for the purpose of allowing filing or recordation of the Mortgage, Security Agreement and Assignment of Rents and Leases in such office.

Further affiant saith not.

  
James S. Tipton, Jr.

STATE OF TENNESSEE  
COUNTY OF KNOX

Personally appeared before me, Notary Public of said County, James S. Tipton, Jr., with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who acknowledged that he executed the within instrument for the purposes therein contained.

Witness my hand, at office, this 3<sup>rd</sup> day of December, 1992.

  
Notary Public

My Commission Expires: 10-31-95

STATE OF ALABAMA )  
BUTLER, COFFEE, CONECUH, )  
COVINGTON and GENEVA COUNTIES )

18018  
RECORDATION NO. \_\_\_\_\_ FILED 1992

DEC 3 1992 9 45 AM

INTERSTATE COMMERCE COMMISSION

MORTGAGE, SECURITY AGREEMENT  
AND ASSIGNMENT OF RENTS AND LEASES

This Mortgage, Security Agreement and Assignment of Rents and Leases (hereinafter, with all Exhibits hereto, called this "Mortgage"), dated as of this 22 day of November, 1992, is made and entered into by and between PEORIA & EASTERN RAILWAY CO., an Illinois Corporation, whose address is 1831 N. Santa Fe Avenue, Chillicothe, Illinois 61523 (hereinafter also "Debtor"), and A & F, Inc., an Alabama Corporation, whose address is 1600 Riverview Tower, 900 S Gay Street, Knoxville, Tennessee 37902 (hereinafter also "Lender").

RECITALS

A. WHEREAS, on November 22, 1992, the Lender (as Seller) and Debtor (as Buyer) entered into a certain Agreement (hereinafter the "Purchase Agreement") for the purchase of certain assets and the assignment of certain leases and other interests by Debtor from Lender; and

B. WHEREAS the Debtor has executed and delivered to the Lender a certain purchase money promissory Note (the "Note") dated the same date as this Mortgage, pursuant to which the Debtor has agreed to pay to the Lender the principal amount of \$1,750,000.00, and interest thereon as stated in the Note; and

C. WHEREAS to secure the Note and to induce the Lender to extend credit to the Debtor under the Note on the strength of the security provided by this Mortgage, the Debtor has agreed to execute and deliver this Mortgage to Lender:

AGREEMENT

NOW, THEREFORE, in consideration of the promises, and to induce the Lender to extend credit to the Debtor under the Note, the Debtor hereby agrees with the Lender as follows:

I. RULES OF CONSTRUCTION AND DEFINITIONS

SECTION 1.01. Rules of Construction. For the purposes of this Mortgage, except as otherwise expressly provided or unless the context otherwise requires:

(a) Words importing the singular number shall mean and include the plural number, and vice versa.

(b) Article, Section and other headings used in this Mortgage are inserted for convenience of reference only and shall not be deemed to be a part of this Mortgage for any purpose.

(c) The terms "include", "including", and similar terms shall be construed as if followed by the phrase "without being limited to".

(d) The terms "herein", "hereof" and "hereunder" and other words of similar import refer to this Mortgage as a whole and not to any particular Article, Section, other subdivision or Exhibit.

(e) All recitals set forth in, and all Exhibits to, this Mortgage are hereby incorporated in this Mortgage by reference.

(f) If any clause or provision of this Mortgage shall involve transcending the limit of validity prescribed by law, then such clause or provision shall be considered severable, as though not herein contained, and the remainder of this Mortgage shall remain operative and in full force and effect.

(g) No inference in favor of or against any party shall be drawn from the fact that such party has drafted any portion hereof.

SECTION 1.02. Definitions. As used in this Mortgage, the following terms shall have the respective meanings attributed to them as follows:

"CERCLA" shall mean the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Sections 9601, et. seq.

"Environmental Laws" shall mean and include any Governmental Requirement (including CERCLA) relating to pollution or protection of human health or the environment, including any relating to Hazardous Substances.

"Force Majeure" shall mean any cause which is unavoidable or beyond a party's control, including fires, floods, washouts, landslides, cave-ins, earthquakes, tornadoes, hurricanes, freezing temperatures, storms, ice, blizzards, and other natural disasters, Acts of God, explosions, wrecks, derailments, public authority or any governmental or military orders, rules, regulations, acts, statutes, ordinances or laws, strikes, labor disputes, riots, civil disturbances, war, insurrection, or criminal acts.

"Governmental Authorities" shall mean any federal, state, county, municipal or other government, and any agency, authority, department, commission, bureau, board, court or other instrumentality thereof.

"Governmental Requirements" shall mean all laws, rules, regulations, ordinances, judgments, decrees, codes, orders, injunctions, notices and demand letters of any Governmental Authority applicable to the Debtor or the collateral.

"Impositions" shall mean all taxes, assessments, dues, fines, levies, fees, permits and other governmental and quasi-governmental charges imposed or levied upon the property (or any part thereof), or the use or occupancy thereof.

"Improvements" shall have the meaning attributed to that term in Section 2.02(c).

"Land" shall have the meaning attributed to that term in Section 2.02(a).

"Lien" shall mean any mortgage, pledge, assignment, charge, encumbrance, lien, security interest or other preferential arrangement of any kind or nature whatsoever.

"Loan Documents" shall mean the Note, this Mortgage, the Purchase Agreement, and all other documents now or hereafter executed or delivered in connection with any of the foregoing documents, or to evidence or secure the Note, and all amendments thereto.

"Permitted Encumbrances" shall mean any Liens or other matters affecting title to the Property that are described in Exhibit E, or any other Lien existing at the time of the purchase of the Property from the Lender by Debtor.

"Personal Property" shall have the meaning attributed to that term in Section 2.02(c).

"Property" shall have the meaning attributed to that term in Section 2.02.

"Rents" shall have the meaning attributed to that term in Section 2.02(d).

## II. GRANT OF SECURITY FOR OBLIGATIONS

Section 2.01. Obligations. This Mortgage is given to secure and shall secure the following (collectively, the "Obligations"): (i) the payment of all amounts now or hereafter becoming due and payable under the Note, including the principal of the Note, and all interest thereon and all other fees, charges and costs (including reasonable attorneys' fees) payable in connection therewith; (ii) the payment of any and all other fees, charges and other sums now or hereafter becoming due and payable by the Debtor, including any and all sums now or hereafter becoming due and payable under the terms of this Mortgage; (iii) all renewals, extensions, modifications, amendments and advancements made pursuant to any or all of the instruments described in clauses (i) and (ii) of this Section 2.01; and (iv) the full and complete performance of and compliance with all of the stipulations, covenants, agreements, representations, warranties and conditions contained in this Mortgage and the other Loan Documents.



Section 2.02 Granting Clauses. As security for the Obligations, the Debtor does hereby grant, bargain, sell, and convey unto the Lender, its successors and assigns, and does grant to the Lender, its successors and assigns, a security interest in, all estate, right, title and interest of the Debtor to or in respect of the following property and interests in property (collectively, the "Property"):

(a) Land. The Debtor's leasehold interest in and to all those certain lines of railroad purchased by the Debtor from the Lender and other lots, pieces, or parcels of land applicable thereto, located in Butler, Coffee, Conecuh, Covington and Geneva Counties of the State of Alabama, more particularly described in Exhibit A, and all the reversions and remainders in and to said land and the tenements, hereditaments, easements, rights-of-way or use, rights (including mineral and mining rights, and all water, oil and gas rights), privileges, royalties and appurtenances to said land, now or hereafter belonging or in anyway appertaining thereto.

(b) Rights under Mortgaged Leases. (i) All present and future leasehold rights and estates or subleasehold rights and estates, as the case may be, owned or acquired by the Debtor or to be owned or acquired by the Debtor and used upon or with the railroad lines purchased by the Debtor from the Lender, including the leasehold rights and estates in the land described in Exhibit B, which leasehold estates were created by the leases described in Exhibit C (such leases being collectively called the "Mortgaged Leases"), together with any and all right, title and interest of the Debtor (now held, owned or acquired, or hereafter held, owned or acquired) in and to: (A) the Mortgaged Leases and all modifications, extensions, renewals, supplements and restatements thereof; (B) all credits and deposits made thereunder; (C) all options and rights to renew or extend the same; (D) all ownership and holding rights in, and options and rights to purchase or of first refusal with respect to, the Land covered thereby, or any part thereof; and (E) all other, further or additional title, estate, options, privileges, interest or rights that the Debtor may now or hereafter acquire in and to said Land and the Mortgaged Leases.

(c) Improvements and Personal Property. Any and all improvements to the Land subject to this Mortgage conveyed by Lender to Debtor by the Purchase Agreement, including all tracks, sidings, yard tracks, industry leads, passing tracks, switches, bridges, signals and signal apparatus, and other railroad appurtenances, all telegraph, telephone and electric power transmission lines, including all wires, cables, poles, batteries, conduits, ducts, viaducts, crossovers, anchors, pipes, switchboards and other instruments, all stations or facilities for wireless communication and signaling, the Opp Depot, yard buildings and other structures, water stations, water supply, water power sites, fuel stations, fuel tanks, fuel supply, all walls, fences, and all Personal Property, as listed on Exhibit A to the Purchase Agreement, and attached hereto as Exhibit F.

(d) Miscellaneous Contracts and Rents. (i) All leases, subleases, lettings and licenses, and other use and occupancy agreements, written or oral, covering any of the Real Property or Personal Property with respect

to which the Debtor is the lessor, licensor or sublessor, including the Existing Tenant Leases, if any, described on Exhibit D and any and all other such agreements hereafter made or entered into, Provided, however, that Debtor shall have the right to collect, receive and retain the Rents so long as Debtor is not in Default of said Note, and Lender shall have no right or obligation to extend, renew, initiate, terminate, amend, modify, or otherwise manage the Miscellaneous Contracts, so long as Debtor is not in Default of said Note.

(e) General Intangibles and Agreements. All general intangibles relating to the operation or use of the Real Property, the Personal Property, or any other property or rights conveyed or encumbered hereby, including all blueprints, technical specifications, manuals, and other documents relating to the Property.

(f) Supplemental Documents. All changes, additions, supplements, modifications, amendments, extensions, renewals, revisions and guaranties to, of, or for any agreement or instrument included in the foregoing.

SUBJECT, HOWEVER, to Permitted Encumbrances.

TO HAVE AND TO HOLD the Property, together with all the rights, privileges and appurtenances thereunto belonging, unto the Lender, its successors and assigns forever.

### III. REPRESENTATIONS AND WARRANTIES

Section 3.01. Authority. Debtor represents and warrants: (i) that it has and will have full power and lawful authority to encumber and convey the Debtor's interest in the Property as provided herein; (ii) this Mortgage is and will remain a valid and enforceable first priority Lien on, and security interest in, the Property, and (iii) with the exception of Permitted Encumbrances, Debtor shall not, so long as this Mortgage remains in force, grant any equal or superior Lien on the Property.

Section 3.02. Environmental Compliance. To the best knowledge of the Debtor the past, current and intended uses of the Property comply and will comply with all Environmental Laws and the Debtor has or will obtain all certificates, licenses, authorizations, registrations, permits and other approvals of Governmental Authorities required by Environmental Laws to carry on its business.

Section 3.03. Other Governmental Compliance. The use and operation of the Property contemplated by the parties complies with all applicable Governmental Regulations.

Section 3.04. Bankruptcy. The Debtor is, and after giving effect to the transactions contemplated under the Loan Documents will be, solvent, and no bankruptcy, insolvency or similar proceeding is pending or contemplated by or (to the best of Debtor's knowledge) against the Debtor.

Section 3.05 Existing Default. To the best of Debtor's knowledge, there is no existing default by Debtor under the Loan Documents or the Permitted Encumbrances, and no event has occurred that, with notice or the passage of time, or both, would constitute or result in such a default.

#### IV. COVENANTS AND AGREEMENTS OF DEBTOR

The Debtor covenants and agrees that, until the Obligations are paid and this Mortgage is satisfied in full:

Section 4.01. Payment of Impositions. The Debtor will pay or cause to be paid all Impositions (and upon request will deliver receipts therefor to the Lender) before the Impositions are delinquent. The Debtor may, at the Debtor's own expense, in good faith contest any such Impositions and, in the event of any such contest, may permit the Impositions so contested to remain unpaid during the period of such contest and any appeal therefrom, provided that during such period, enforcement of the contested Impositions against the property shall be effectively stayed.

Section 4.02. Insurance. The Debtor shall keep or cause to be kept insured, with an insurance company authorized to do business in the State of Alabama, the Opp Depot and the six bridges currently insured, in an amount equal to what they are currently insured for and under terms essentially the same as those in the current policy. All such policies shall name the Lender as an Insured and provide that the interest of Lender shall be protected to the same extent the current policy requires. Debtor shall provide, or cause to be provided, to Lender, insurance certificates evidencing the coverage required in this Section. Debtor shall cause each insurer to agree (either by endorsement upon such policy or by letter addressed to the Lender) to give the Lender at least ten (10) business days' prior written notice of the cancellation of such policy(ies) in whole or in part, or the lapse of any coverage thereunder. Debtor further agrees that, in the event of a claim, any proceeds received shall be made payable jointly to Debtor and Lender, and shall be applied to the restoration of the property damaged or lost.

#### Section 4.03. Condemnation.

(a) Proceedings. Debtor, upon obtaining knowledge thereof, shall promptly notify Lender of any proceedings for the condemnation of the Property, or any part thereof, or of the exercise of any right of eminent domain with respect thereto. The Lender may participate in any such proceedings and the Debtor shall, at its expense, diligently prosecute any such proceedings, and consult and cooperate with the Lender, its attorneys and agents in carrying on the defense of any such proceedings. No settlement of any such proceedings shall be made by Debtor without the Lender's consent, which shall not be unreasonably withheld.

(b) Lender's Right to Proceeds. All proceeds of condemnation awards or proceeds of sale in lieu of condemnation, and all judgments, decrees and awards for injury or damage to the Property ("Proceeds") shall be paid to

Lender, with the exception of Proceeds from crossing licenses, easements or rights which do not affect the operation of the Railway or diminish the value of the Assets. The Debtor authorizes Lender to collect and receive the same, to give receipts and acquittances therefor, and to appeal from any judgment, decree or award. The Lender shall in no event be liable or responsible for failure to collect, or exercise diligence in the collection of, any of the same. Debtor retains any rights it may have to seek an award for expenses or loss of business resulting from such condemnation.

(c) Application of Proceeds. All proceeds shall first be used as may be required for the restoration of the Property in such manner as will enable the continuing operation of the Railway by Debtor, and thereafter to reimburse Lender for all reasonable costs and expenses, including attorney fees, incurred in connection with the condemnation proceeding, and the remainder thereof, if any, shall be applied (i) to the payment of all or any part of the Obligations, in the order and manner determined by the Lender in its sole discretion or (ii) to cure any then-current default hereunder (Provided, however, that the remainder of the Obligations shall continue in full force and effect and the Debtor shall not be excused in the payment thereof).

#### Section 4.04. Liens.

(a) The Debtor will pay, bond or otherwise discharge, from time to time before the same shall become delinquent, all lawful claims and demands of mechanics, materialmen, laborers and others which, if unpaid, might result in, or permit the creation of, a Lien on the Property, or any part thereof, and in general, the Debtor shall do, or cause to be done, at its cost and expense, everything reasonably necessary to fully preserve the Lien and priority of this Mortgage. Provided, however, Debtor may, at its own expense, in good faith contest any such Lien and, in the event of such contest, may permit the claim or demand to remain unpaid during the period of such contest and any appeal therefrom, provided that during such period enforcement of such Lien against the Property is effectively stayed.

(b) The Debtor will not, without the Lender's consent, create, place or permit to be created or placed, or through any act or failure to act acquiesce in the placing of, or allow to remain, any voluntary or involuntary Lien, whether statutory, constitutional or contractual, against or covering the Property, having a priority over, or on a parity with, the Lien of this Mortgage, other than Permitted Encumbrances. If any such Lien becomes attached to the Property without such consent, the Debtor will promptly commence and diligently proceed to cause the same to be discharged and released.

Section 4.05. Sale or Transfer. The Debtor covenants and agrees that neither the Property, nor any part thereof, nor any interest therein, shall be sold, assigned, transferred, conveyed, further encumbered, leased with an option to purchase, exchanged or otherwise disposed of (with the exception of Permitted Encumbrances, or a transfer pursuant to or in lieu of a condemnation or eminent domain proceeding), without the Lender's prior written consent. Upon the occurrence of any such sale, assignment, transfer,

conveyance, further encumbrance, lease with an option to purchase, exchange, or other disposition, this Mortgage may, at the option of the Lender, be deemed in default. Provided, however, that Debtor may, in the ordinary course of its business or maintenance of the line, replace any Property with like property of an equal or greater value, and Debtor shall take such steps as may be necessary, if any, so that Lender's lien attaches to, or becomes a first priority lien on, such other property; and Further Provided, that Debtor may exercise its rights of sale under Section 13 of the Purchase Agreement without further notice to, or approval of, Lender.

Section 4.06 Notice of Default of Mortgaged Leases. In the event of any default in the performance of either of the Mortgaged Leases, Debtor shall: (a) immediately furnish Lender with a copy of such Notice of Default received by Debtor; (b) furnish to the Lender any and all information which it may reasonably request concerning the performance by the Debtor of such Lease(s); and (c) permit the Lender or its representatives at all reasonable times to make investigation or examination concerning the performance by the Debtor.

#### V. DEFEASANCE, DEFAULT AND REMEDIES

Section 5.01. Defeasance. This Mortgage is made upon the condition that if the Debtor pays the Obligations, as defined in this Mortgage, and fulfills all of its other duties under this Mortgage, this conveyance shall be null and void.

Section 5.02. Events of Default. The happening of any one or more of the following events (collectively "Events of Default"), shall constitute a Default under this Mortgage:

(a) Default shall be made in any payment under the Note, and such Default shall continue unremedied for ten (10) days after Notice, as provided in the Note; or

(b) If the Debtor sells or otherwise disposes of all or part of the Property in violation of Section 4.05 hereof, and such condition continues unremedied for thirty (30) days after written notice thereof has been given by the Lender to the Debtor; or

(c) If any Lien, statement of Lien or suit to enforce a Lien is filed against any of the Property, having a priority over or on a parity with this Mortgage, in violation of Section 4.04 hereof, or if suit is filed to foreclose any other Lien, and the Debtor fails to have such Lien satisfied, or suit dismissed or such dismissal pending, or to secure the payment of the amount claimed by such Lien, statement of Lien or suit by a bond, letter of credit or other security within thirty (30) days of the day such Lien, statement of Lien, or suit is served upon Debtor; or

(d) If the Debtor defaults in the observance or performance of any other provision of this Mortgage and such Default continues unremedied for

thirty (30) days after written notice thereof has been given by the Lender to the Debtor; Provided, however, that such cure period shall be extended in the event that Debtor is not in default in any payment under the Note and the failure to cure is the result of any Force Majeure.

Section 5.03 Rights and Remedies of Lender Upon Default.

(a) Acceleration of Obligations. Upon the occurrence of any Event of Default (after giving effect to any applicable notice, grace or cure periods provided for herein) or at any time thereafter, the Lender may, at its option, declare all or any part of the Obligations immediately due and payable, whereupon all such Obligations shall forthwith become due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Debtor, and the Lender may immediately enforce payment of all such amounts and may exercise any or all of its rights and remedies under this Mortgage.

(b) Operation of Property by Lender. Upon the occurrence of an Event of Default (after giving effect to any applicable notice, grace or cure periods provided for herein) or at any time thereafter, in addition to all other rights herein conferred on the Lender, the Lender may (i) collect, receive and receipt for all proceeds from the Miscellaneous Contracts assigned to Debtor and (ii) enter upon and take possession of any or all of the Property and administer, manage and operate the same, subject to the rules, regulations, orders, and authority of the Interstate Commerce Commission.

(c) Judicial Proceedings. Upon the occurrence of an Event of Default (after giving effect to any applicable notice, grace or cure periods provided for herein) or at any time thereafter, the Lender, in lieu of or in addition to exercising the power of sale hereinafter given, may proceed by suit to foreclose its Lien on the Property, or for specific performance of any non-monetary provision contained herein, or to enforce any other appropriate legal or equitable right or remedy permitted hereunder.

(d) Power of Sale. Upon the occurrence of an Event of Default (after giving effect to any applicable notice, grace or cure periods provided for herein) or at any time thereafter, this Mortgage shall be subject to foreclosure and may be foreclosed as now provided by law in case of past due mortgages, and the Lender shall be authorized, at its option, whether or not possession of the Property is taken, to sell the Property (or such part or parts thereof as the Lender may from time to time elect to sell) under this power of sale, at public outcry, to the highest bidder for cash, at the front or main door of the courthouse of the county in which the Property is to be sold, or a substantial or material part thereof, is located, after first giving notice by publication once a week for three successive weeks of the time, place and terms of such sale, together with a description of the Property to be sold, in some newspaper published in the county or counties in which the Property to be sold is located. If there is Property to be sold under this Mortgage in more than one county, publication shall be made in all counties where the Property to be sold is located, but if no newspaper is published in any such county, the notice shall be published

EXHIBIT B

(Leased Land Description)

Certain right-of-way and other existing improvements from right-of-way station 22+57 in Georgiana, Alabama, to milepost AF-624.2 in or near Geneva, Alabama ("Leased Premises"). The Leased Premises includes all land and non-rail improvements of all kinds existing from lines perpendicular to the trackage at the aforementioned mileposts with the width limited by the existing property lines of the right-of-way as more particularly described by the attached valuation maps. Excluded from Leased Premises is any property and/or improvements under lease to third parties except those which do not affect the operation of the railroad.

(NAME OF RECORD OWNER OF ABOVE PROPERTY: CSX TRANSPORTATION.)

The portion of Andalusia & Conecuh Railroad Company, Inc.'s ("A&C") track (including rail line and all improvements, fixtures, signals and switches not under prior lease or license) designated on A&C maps as being between MP-S429+770 feet and MP-S426+3800 feet. The above described line runs generally from the point of the A&C's interchange with the Alabama & Florida Railroad Company, Inc., in downtown Andalusia to a point near the Amoco Fabrics Plant now located on Highway 29 North, approximately one mile south of its interchange with U.S. Highway 84.

(NAME OF RECORD OWNER OF ABOVE PROPERTY: ANDALUSIA AND CONECUH RAILROAD COMPANY, INC.)

in a newspaper published in an adjoining county for three successive weeks. The sale shall be held between the hours of 11:00 a.m. and 4:00 p.m. on the day designated for the exercise of the power of sale hereunder. The Lender, its successors and assigns, may bid at any sale or sales had under the terms of this Mortgage and may purchase the Property, or any part thereof, if the highest bidder therefor. The purchaser at any such sale or sales shall be under no obligation to see to the proper application of the purchase money. At any foreclosure sale, any part or all of the Property, real, personal or mixed, may be offered for sale in parcels or en masse for one total price, the proceeds of any such sale en masse to be accounted for in one account without distinction between the items included therein or without assigning to them any proportion of such proceeds, the Debtor hereby waiving the application of any doctrine of marshalling or like proceeding. In case the Lender, in the exercise of the power of sale herein given, elects to sell the Property in parts or parcels, sales thereof may be held from time to time, and the power of sale granted herein shall not be fully exercised until all of the Property not previously sold shall have been sold or all the Obligations shall have been paid in full.

(e) Personal Property and Fixtures. On the happening of any Event of Default (after giving effect to any applicable notice, grace or cure periods provided for herein) or at any time thereafter, the Lender shall have and may exercise with respect to the Personal Property and all other personal property and fixtures included in the Property all rights, remedies and powers of a secured party under the Alabama Uniform Commercial Code.

## VI. MISCELLANEOUS

Section 6.01. No Obligation of Lender. The Lender shall not by virtue of this Mortgage assume any duties, responsibilities, liabilities or obligations with respect to any Mortgaged Lease, any Tenant Lease, the Improvements, the Personal Property, the Real Property or any other Property (unless expressly assumed herein or under a separate agreement in writing), and this Mortgage shall not be deemed to confer on the Lender any duties or obligations that would make the Lender directly or derivatively liable for any Debtor's negligent, reckless or willful conduct.

Section 6.02. Construction of Mortgage. This Mortgage is and may be construed as a mortgage, deed of trust, chattel mortgage, conveyance, assignment, security agreement, pledge, financing statement, hypothecation or contract, or any one or more of them, in order fully to effectuate the Liens created hereby and the purpose and agreements herein set forth.

Section 6.03. Successors and Assigns. This Mortgage may not be assigned to any entity owning, operating, or controlling any railroad, or other common carrier, and any attempt to so assign without the prior written consent of Debtor shall be absolutely void. Subject thereto, this Mortgage, and all rights, duties and agreements herein contained, shall inure to the benefit of and be binding upon the parties respective successors and assigns.



Section 6.04. Waiver and Election. The exercise by the Lender of any option given under the terms of this Mortgage shall not be considered as a waiver of the right to exercise any other option given herein, and the filing of a suit to foreclose the Liens granted by this Mortgage, either on any matured portion of the Obligations or for the whole of the Obligations, shall not be considered an election so as to preclude foreclosure under power of sale after a dismissal of the suit; nor shall the publication of notices for foreclosure under power of sale preclude the prosecution of a later suit thereon. No failure or delay on the part of the Lender in exercising any right, power or remedy shall preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder or thereafter. The remedies provided in this Mortgage are the sole and exclusive remedies for default hereunder, or under the Note, and no amendment, modification, termination or waiver of any provision of this Mortgage shall be effective unless the same is in writing and signed by the parties.

Section 6.05 Notice. Any Notice required or permitted to be given in connection with this Mortgage shall be given either by personal delivery or by certified mail, postage fully prepaid, and return receipt requested, at the addresses set forth below, or at such other address as the respective parties may give notice of from time to time:

If to Lender: A & F, Inc.  
1600 Riverview Tower  
900 S. Gay Street  
Knoxville, Tennessee 37902  
Attn.: Phillip O. Lawson

If to Debtor: Peoria & Eastern Railway Co.  
1831 N. Santa Fe Ave.  
Chillicothe, Illinois 61523  
Attn.: Guy L. Brenkman

Such Notice shall be effective when received, or, if by certified mail, when received, refused, or returned as undeliverable.

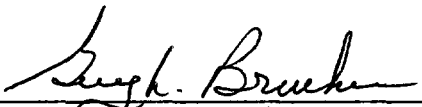
Section 6.06. Right of Lender to Cure CSX Lease. Upon the occurrence of any Default under the CSX Lease, the Lender shall have the right, but shall be under no obligation, to pay any amount, to perform any other act, or to take such action as may be appropriate to cure or prevent such Default from resulting in a termination of such Lease, and all moneys expended by the Lender in connection therewith shall be payable by the Debtor forthwith upon demand by the Lender, and shall constitute part of the Obligations.

Section 6.07. No Merger. Unless the Lender shall otherwise expressly consent in writing, fee title to the Land and the Debtor's leasehold estate under the Mortgaged Leases shall not merge but shall always remain separate and distinct, notwithstanding that both of said estates may at any time be held by the Debtor or by any third party by purchase or otherwise.

Section 6.08. Purchase Agreement to be Effectuated. Nothing contained herein shall be construed as modifying, waiving, or varying any of the terms, conditions or agreements contained in the Purchase Agreement and, in all cases, this Mortgage and the other Loan Documents shall be construed in a manner consistent with and for the purpose of effectuating the Purchase Agreement.

IN WITNESS WHEREOF, the undersigned have executed this instrument on the date first written above.

PEORIA & EASTERN RAILWAY CO.

By:   
Guy L. Brennan, President

ATTEST:

By:   
B. Allen Brown, II, Secretary

"SECOND DUPLICATE ORIGINAL"

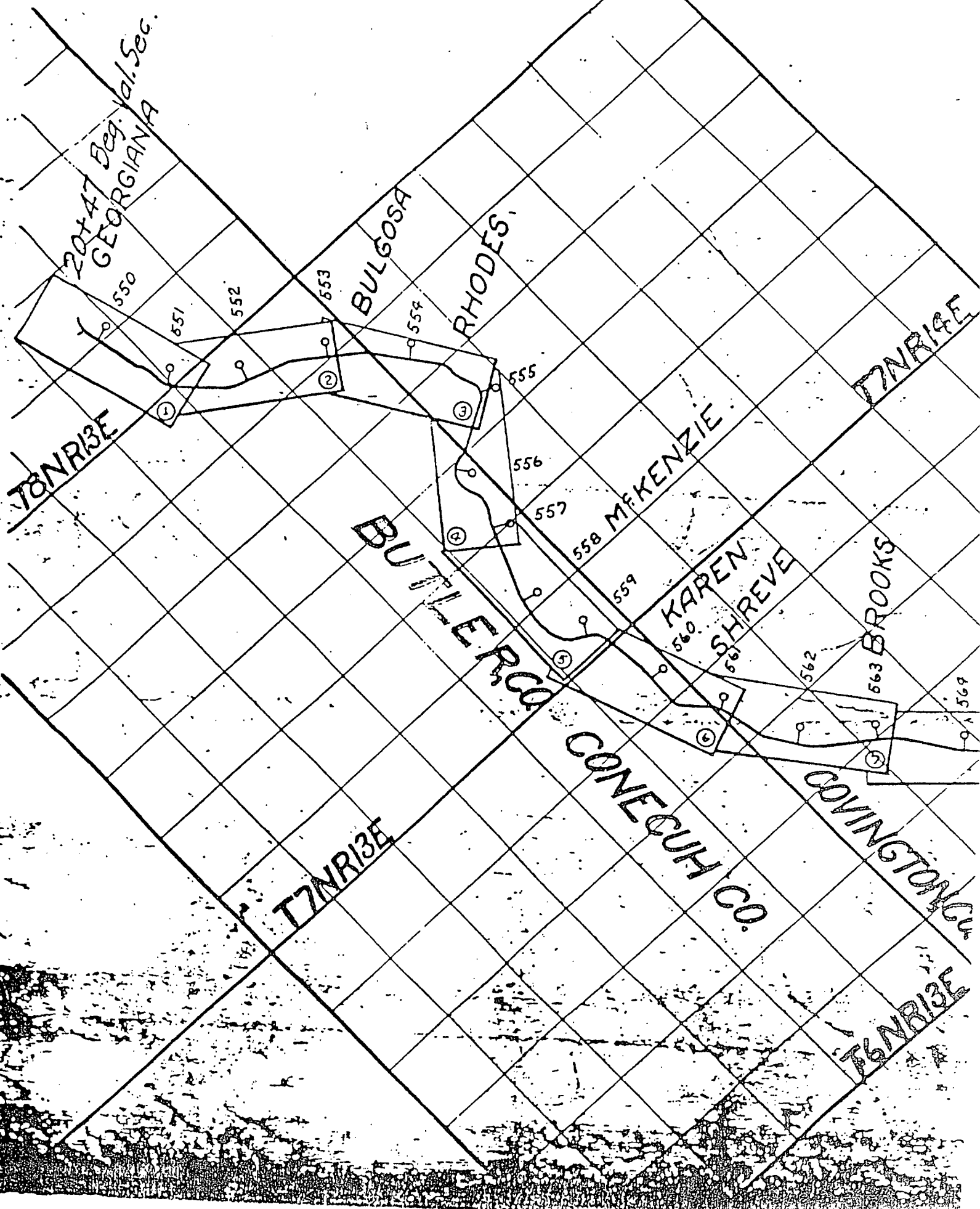
MORTGAGE EXHIBITS

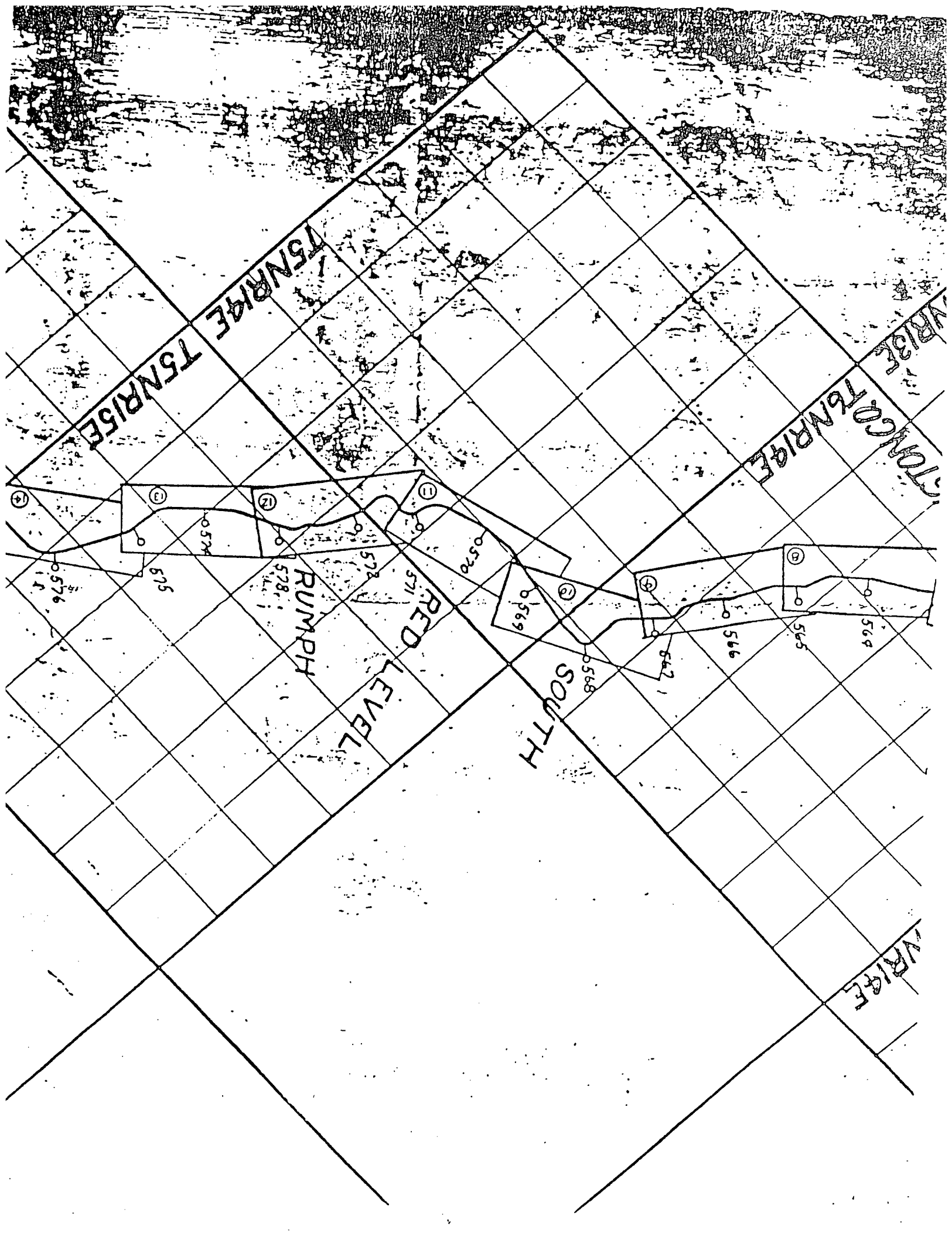
EXHIBIT A

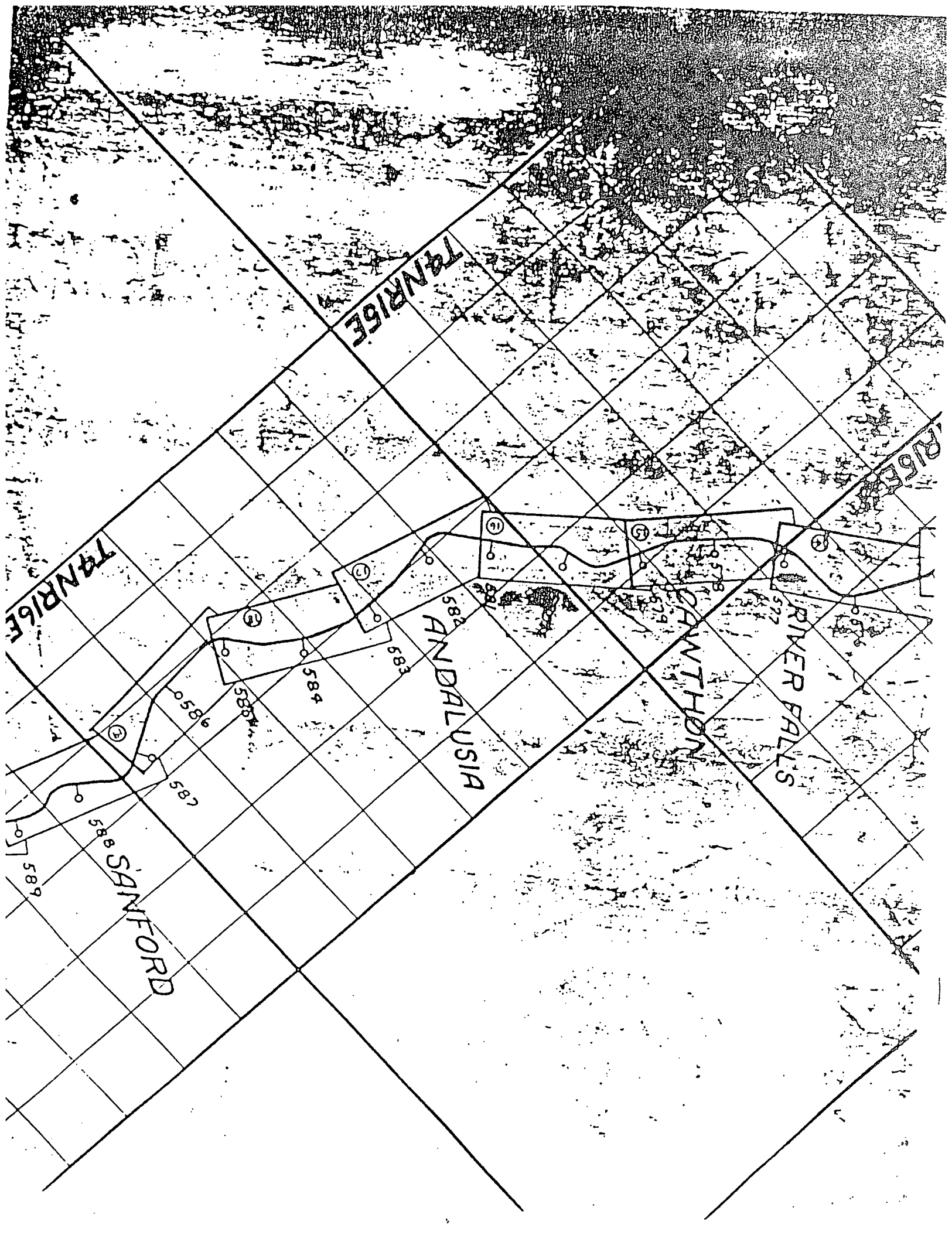
(Owned Land Description)

None

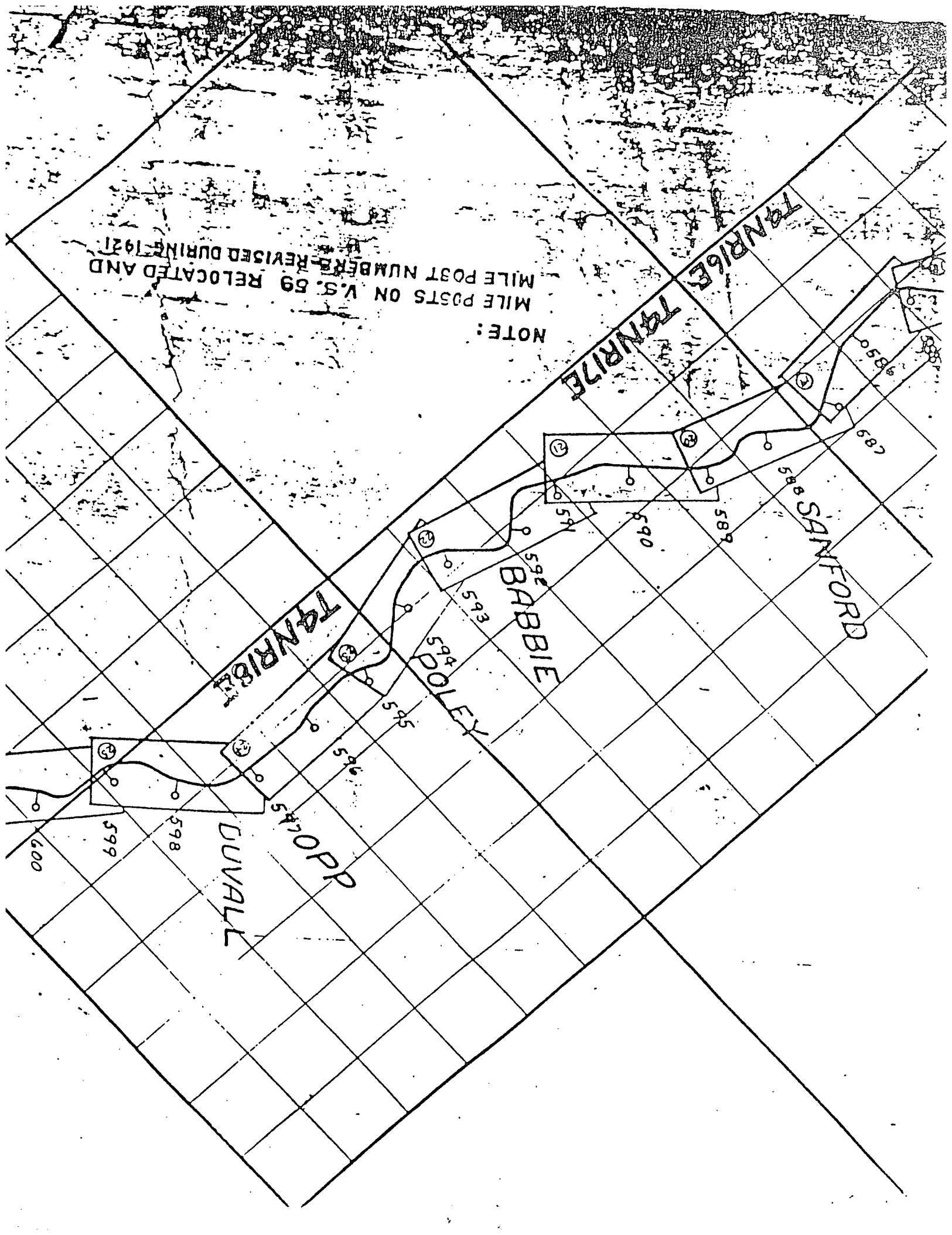
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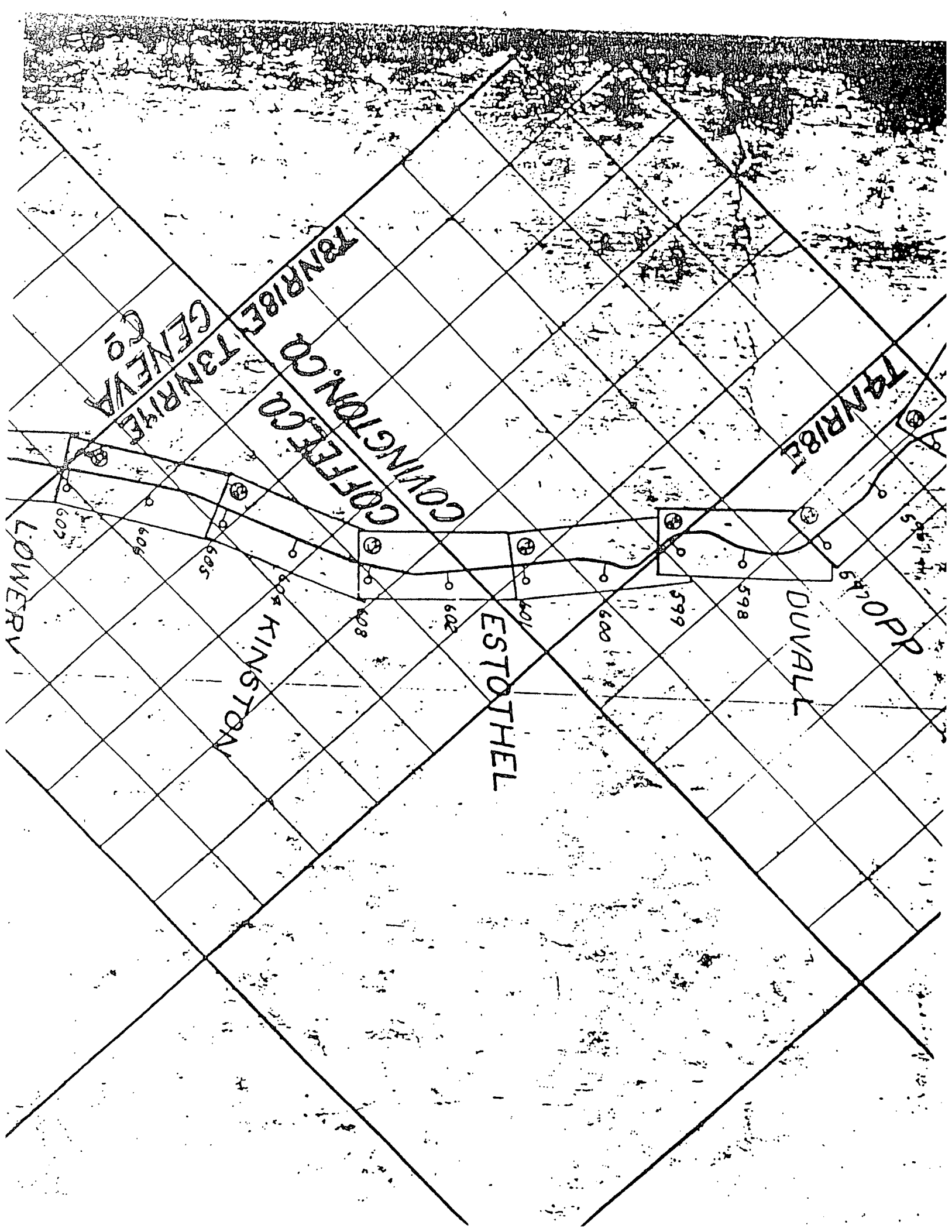






NOTE:  
MILE POSTS ON U.S. 59 RELOCATED AND  
MILE POST NUMBERS REVISED DURING 1921







ENRIVE  
CO

T2NR19E

T2NR20E

LOWERY

PERA

SAMSON



613

612

611

610

609

608

607

606

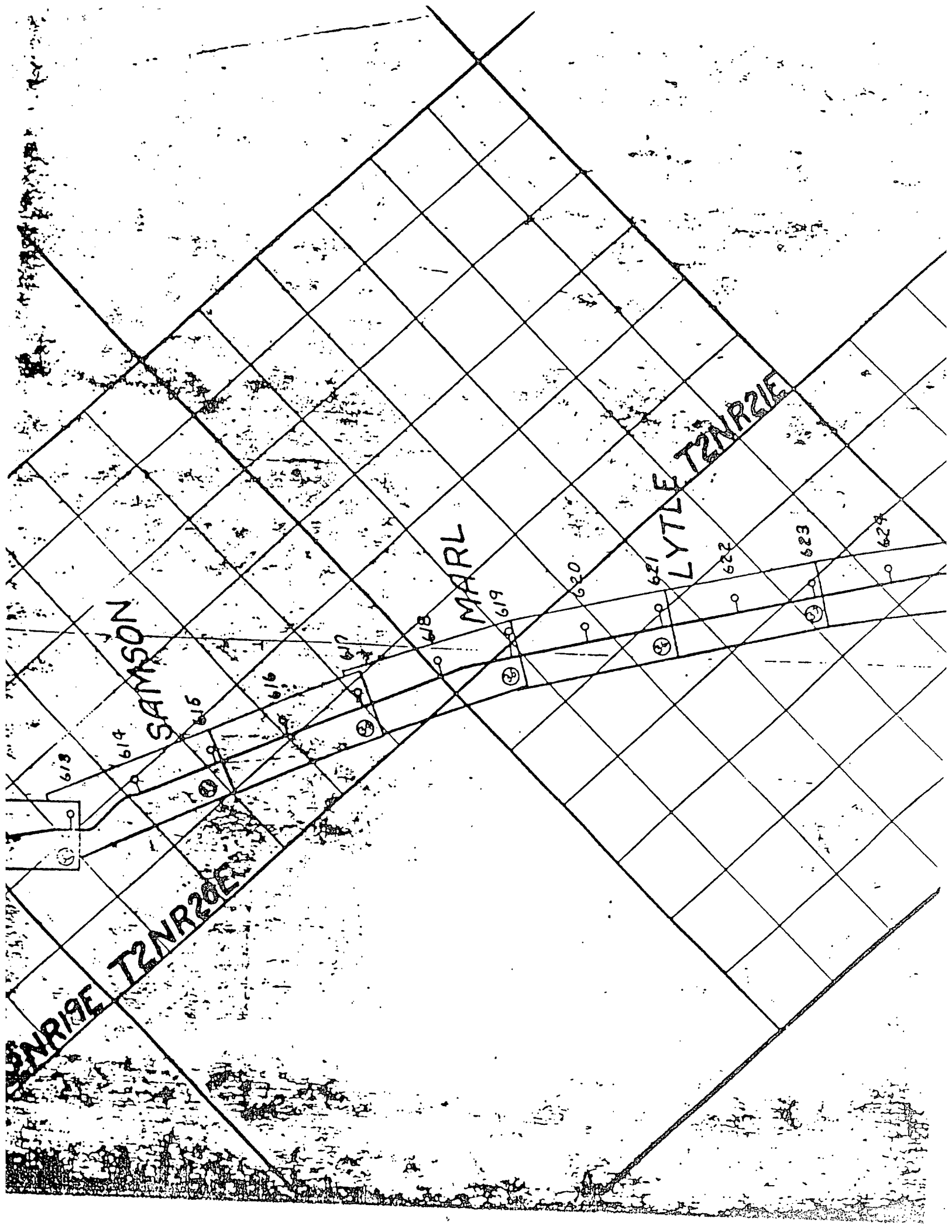
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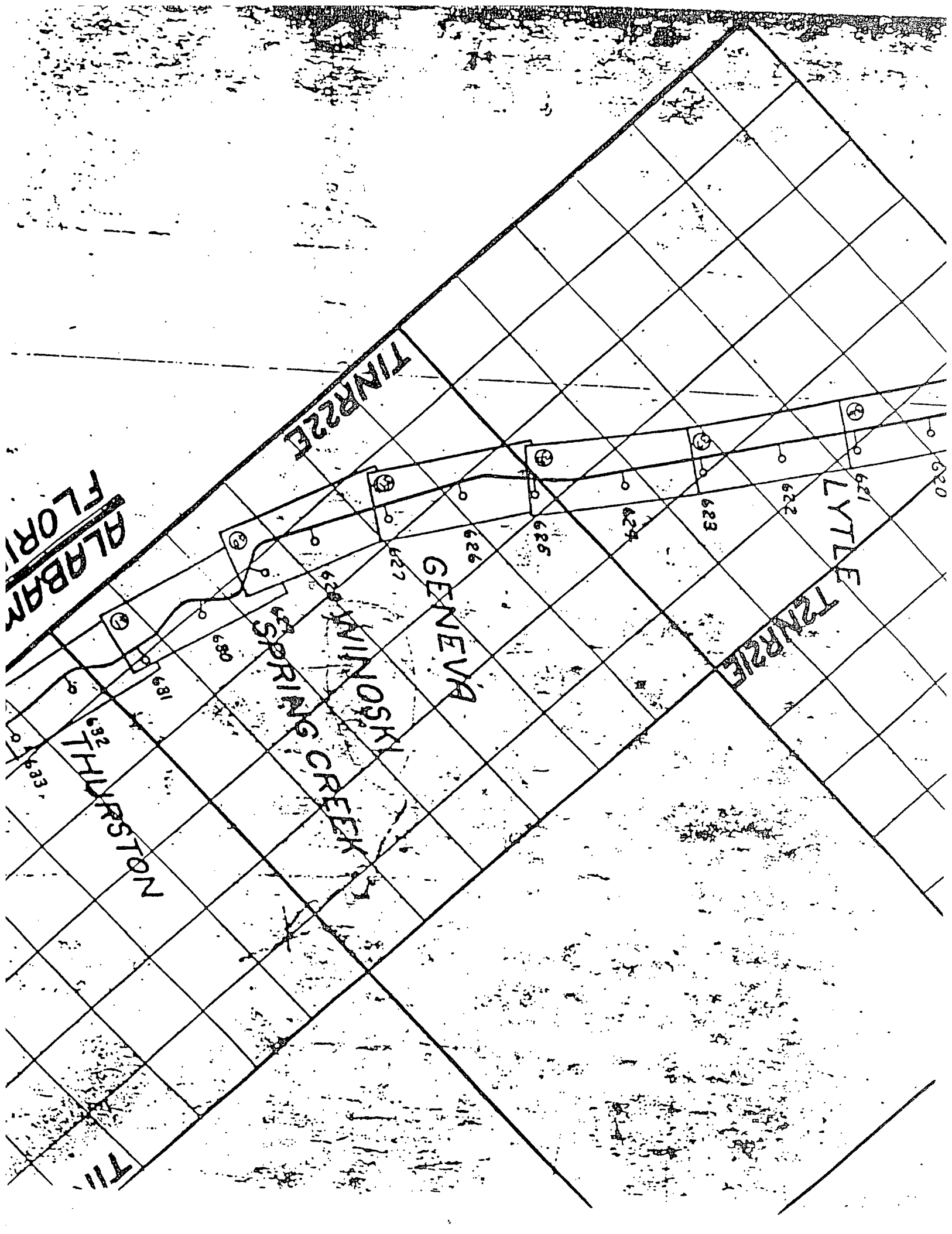
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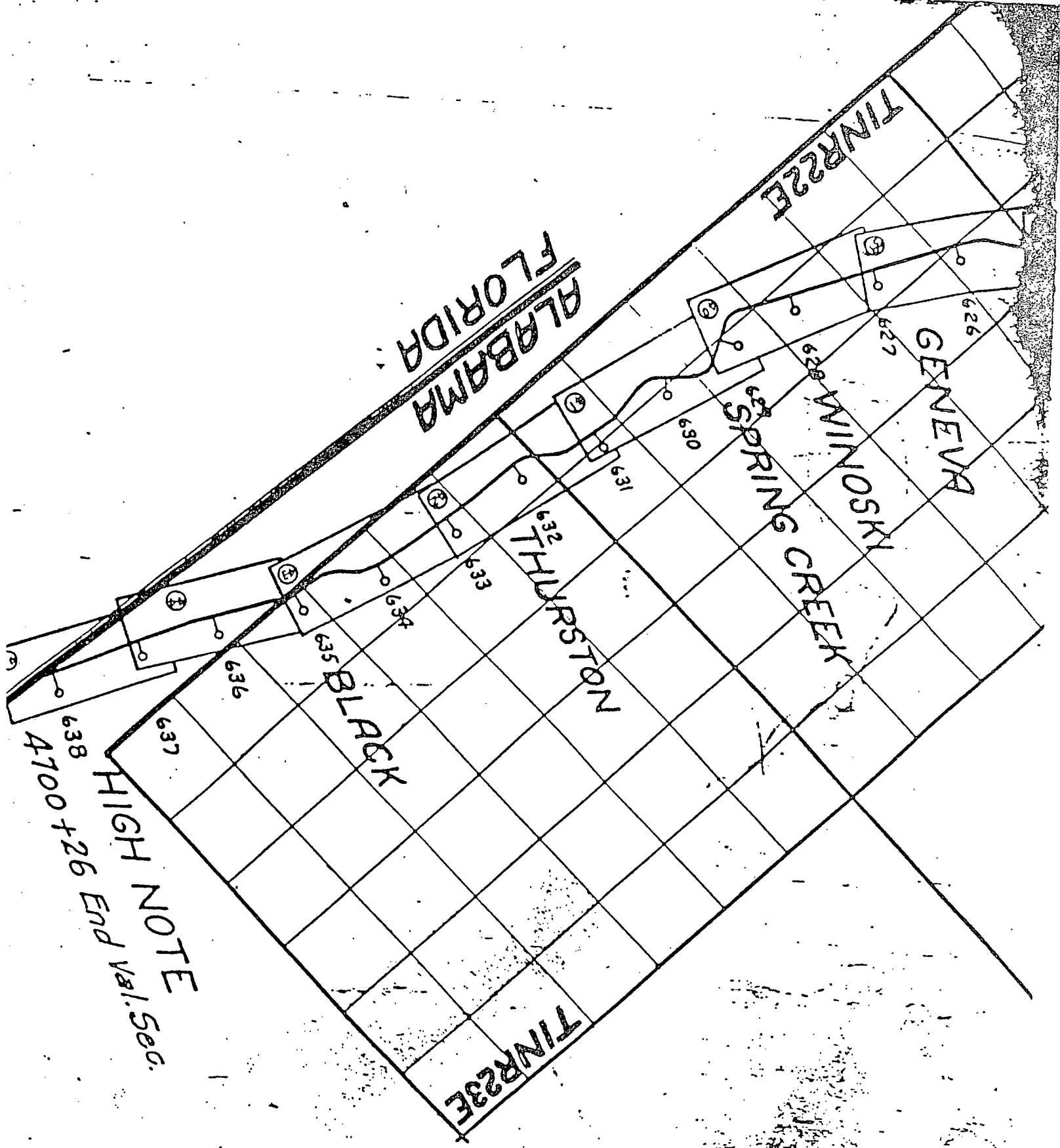
616

617

618







## EXHIBIT C

### (Mortgaged Leases)

Lease entered into by CSX Transportation, Inc., a Virginia Corporation, as Lessor, and Alabama and Florida Railroad Company, Inc., as Lessee, dated July 25, 1986, which was assigned to A & F, Inc., an Alabama Corporation, by an Assignment dated August 10, 1990, or such portions fo the Lease as may be applicable to the Property, or such new lease as may replace such existing Lease (herein also the "CSX Lease").

Lease entered into by Andalusia & Conecuh Railroad Company, Inc., as Lessor, and A & F, Inc., an Alabama Corporation, as Lessee, dated September 9, 1991, or such portions of the Lease as may be applicable to the Property, or such new lease as may replace such existing Lease. (herein also the "A&C Lease").

EXHIBIT D

(Existing Tenant Leases)

The Tenant Leases consist of various leases, plus grants, easements, agreements and licenses whereby utilities, corporations and individuals are granted non-exclusive rights to portions of the Property.

EXHIBIT E

(Permitted Encumbrances)

1. The Lien for ad valorem taxes on the Property so long as such taxes are not delinquent.
2. The leasehold interest of the tenants under the Existing Tenant Leases, if any.
3. Easements that do not interfere with the operation of a railroad.
4. Rights of the State of Alabama, if any, under a certain track rehabilitation grant to A & F, Inc.

EXHIBIT F

PROPERTY BEING SOLD

TO: PEORIA & EASTERN RAILWAY CO.

(4) Locomotives: EMD Type GP-9 #6011  
EMD Type GP-9 #6076  
EMD Type GP-9 #6094  
EMD Type SW-7 #1214

Lease from Relco Locomotive for Engine # 1617.

CSX and A&C Agreements (Section 1(a) and (b) of Purchase Agreement).

All Miscellaneous Contracts (Section 1(c) of Purchase Agreement).

Track Structure (including rail, bolts, ties, spikes, joint bars, tie plates, tie switches, signals, signs, sign posts, ballast, and all other track material).

Station Building/Freight House at Opp, Alabama.

(6) Pulp wood cars (P&E to repair three damaged chip cars in return).

(1) ex-CSX box car (whatever interest A & F has).

(1) M-19 Motor/Inspection Car.

(1) 1982 Hi-rail crew cab pickup truck.

(1) 1988 Ford Tempo.

All locomotive parts, filters, oil, sand, fuel and supplies,

All track materials of the new A&C connection.

Desk top computer used in EDI and all software that concerns EDI interchanges.

Telephone set.

(1) Xerox machine.

(1) Refrigerator.

(1) Typewriter.

(2) Air Conditioners.

Office furniture (wood furniture excluded)

(2) Cameras.

Bolt machine and (6) chocks

(5) Hand-held radios, (3) engine radios, chargers and base station.

Switch and signal locks and keys (approx. 150 locks).

(1) Push Cart.

(1) Weed Sprayer.

(1) Pallet Jack.



(1) Conveyer.

Miscellaneous track tools

(1) Rail Saw.

(1) Rail Drill.

(1) Hand Barrel Pump.

A&F interest in lease/purchase of Fax machine

Bolt bin, bottom half

Gauge Rods and all track bolts, spikes, ties, etc. on hand.

(1) Weed Eater.

(1) Chain Saw.

(1) Backpack Sprayer.

(1) Steam Cleaner (small).

(2) Fire Extinguishers (office).

(2) 50-ton manual Car Jacks.